Pavilion REIT (PREIT MK)

1Q26: In Line; Rental Reversion Guidance Unchanged

BUY (Maintained)	
Share Price	RM1.89
Target Price	RM2.10
Upside	+11.1%

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Highlights

- 1Q26 results are within our expectations, with a dividend of 2.80 sen declared.
- While softer tourist arrivals arising from the Middle East conflict and ongoing AEIs are expected to temporarily weigh on Pavilion KL's performance in 2Q26, we expect the extended VMY26 campaign and major space reconfiguration to support stronger earnings contribution from 2027 onwards.
- Maintain BUY with an unchanged target price of RM2.10. PREIT offers a dividend yield of 4.9%/5.1% for 2026/27 respectively.

1Q26 Results

Year to 31 Dec (RMm)	1Q26 (RMm)	4Q25 (RMm)	1Q25 (RMm)	qoq % chg	yoy % chg
Revenue	245.9	232.1	228.2	5.9	7.8
Property Expenses	(87.0)	(82.3)	(85.4)	5.7	1.8
Net Property Income (NPI)	158.9	149.8	142.8	6.1	11.3
Other Income	4.3	3.6	4.3	19.3	0.1
Trust expenses	(13.7)	(14.2)	(11.6)	(3.5)	18.2
Finance costs	(43.7)	(43.4)	(45.0)	0.8	(2.9)
Core Net Profit	105.8	95.8	90.4	10.4	17.0
EPU (sen)	2.69	2.44	2.47	10.3	9.2
DPU (sen)	2.80	2.54	2.68	10.2	4.5
Margins (%):				ppt chg	ppt chg
NPI	64.6	64.6	62.6	0.1	2.1
Core Net Profit	43.0	41.3	39.6	1.7	3.4

Source: CapitaLand Malaysia Trust, UOB Kay Hian

Analysis

- **Within expectations.** Pavilion REIT (PREIT) reported 1Q26 revenue of RM246m (+6% qoq, +8% yoy) and core net profit of RM106m (+10% qoq, +17% yoy). Core net profit accounted for 28% and 26% of our and consensus full-year estimates respectively. We deem the results in line with our expectations, due to the typical seasonality and higher utilities expense in the coming quarters. Average cost of debt declined to 4.3% p.a. (from 4. 6% p.a. in 4Q25).
- A dividend of 2.80 sen was declared for 1Q26 (+5% yoy), which implies an annualised yield of 5.9%.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	845.9	901.5	962.0	1001.5	1042.8
Operating profit	477.3	517.9	556.0	571.5	602.7
Net profit (rep./act.)	409.9	466.9	386.8	409.5	442.7
Net profit (adj.)	310.0	359.5	386.8	409.5	442.7
EPU (sen)	8.5	9.2	9.6	9.9	10.5
DPU (sen)	9.3	10.0	10.4	10.7	11.3
PE (x)	22.3	20.6	19.7	19.0	18.0
P/B (x)	1.4	1.4	1.4	1.4	1.5
DPU Yld (%)	4.9	5.3	5.5	5.7	6.0
Net margin (%)	36.6	39.9	40.2	40.9	42.5
Net debt/(cash) to asset (%)	30.9	33.3	29.4	29.9	30.3
Interest cover (x)	2.9	3.3	3.3	3.5	3.8
Consensus DPU (sen)			10.0	10.2	11.0
UOBKH/Consensus (x)	-		1.04	1.05	1.03

Source: PREIT, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	PREIT MK
Shares issued (m):	3,928.0
Market cap (RMm):	7,423.8
Market cap (US$m):	1,899.0
3-mth avg daily t'over (US$m):	1.5

Price Performance (%)

52-week high/low				RM2.034RM1.43
1mth	3mth	6mth	1yr	YTD
11.8	(2.1)	3.8	31.3	4.411

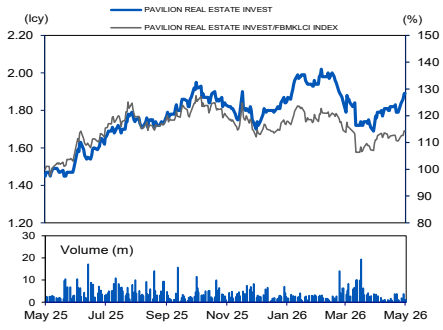
Major Shareholders

	%
Qatar Investment Authority	25.7
Lim Siew Choon	21.5
Employees Provident Fund	13.0

Balance Sheet Metrics

FY26 NAV/Share (RM)	1.1
FY26 Net Debt/Share (RM)	1.0

Price Chart



Source: Bloomberg

Company Description

Pavilion REIT is a real estate investment trust. Its portfolio includes the iconic Pavilion Shopping Mall and the Pavilion Office Tower.

- **Maintains rental reversion guidance.** Despite tour group cancellations arising from the ongoing Middle East conflict, management expects overall growth to be supported by domestic spending and continued tourism initiatives, following the extension of the Visit Malaysia Year 2026 (VMY26) campaign into 2027. Management reiterated its guidance for 2026's rental reversion to exceed the 5-6% achieved in 2025.
- **We expect the tenant space reconfiguration for Pavilion KL to drive a 2% uplift to earnings from 2027 onwards.** Pavilion KL reported 1Q26 revenue of RM138m (+4% yoy) and NPI of RM93m (+1% yoy), supported by festive spending and the VMY26 campaign. Looking ahead, we expect Pavilion KL's NPI to soften sequentially, due to: a) higher utilities costs, b) temporary vacancy impact from tenant movements, and c) the reconfiguration of 50,000-60,000 sf of Parkson Elite's former space, equivalent to around 4% of the mall's NLA. Recall that PREIT has taken back the former Parkson Elite Level 3 space for conversion into multi-tenant lots, with AEI works having commenced after Hari Raya and targeted for completion by year-end. Management expects to introduce new-to-market overseas brands and deliver >70% rental reversion vs existing rents. Overall, we expect the AEI to drive a 2% uplift to the REIT's earnings contribution from 2027 onwards.
- **Other assets continued to improve.** Pavilion Bukit Jalil reported stronger revenue and NPI of RM63m (+5% yoy) and RM38m (+6% yoy), respectively, driven by improving occupancy of 93.4% in 1Q26 (vs 1Q25/4Q25: 90%/92.3% respectively). Meanwhile, Da Men and Intermark Mall turned NPI positive at RM0.1m and RM3m respectively on a sequential basis. Pavilion Elite posted solid revenue of RM25m (+14% yoy) and NPI of RM15m (+12% yoy), thanks to higher advertising revenue from the upgraded LED screen at Elite Pavilion Mall.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM2.10.** Our DDM-based target price implies a dividend yield of 4.9% for 2026 and 5.1% for 2027 (vs 10-year mean 5.4%). Pavilion REIT is poised to benefit from the extended Visit Malaysia Year, ongoing AEIs and tenant remixing at Pavilion KL to keep up with the changing demand. It currently offers a 12-month forward yield spread of 191bp, higher than the 10-year historical mean of 165bp.

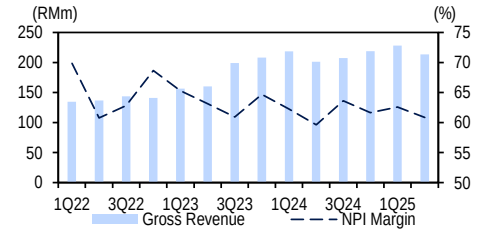
Earnings Revision/Risk

- We fine-tune our 2026-28 DPU forecasts by 1-3% for housekeeping purposes.

Environment, Social, Governance (ESG) Updates

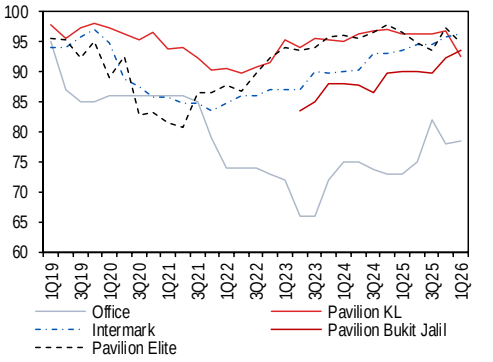
- Environment – Pavilion KL secured 20% of renewable energy from Tenaga Nasional to date.
- Social – PREIT hosts over 500 events annually at its properties.
- Governance – Put in place an Anti-Bribery & Corruption policy.

Revenue And NPI Margin



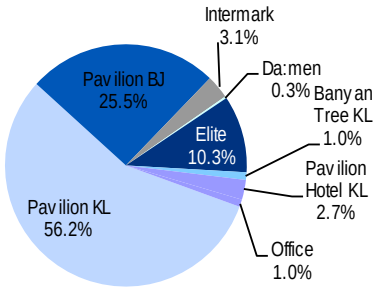
Source: PREIT, UOB Kay Hian

Occupancy Trend



Source: PREIT, UOB Kay Hian

Revenue Breakdown (1Q26)



Source: PREIT, UOB Kay Hian

PREIT 12-month Forward Yield Spread to MGS

Source: PREIT, Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	901	962	1,002	1,043
EBITDA	519	557	573	604
Deprec. & amort.	1	1	1	1
EBIT	518	556	572	603
Associate contributions	0	0	0	0
Net interest income/(expense)	(158)	(169)	(162)	(160)
Pre-tax profit	467	387	410	443
Tax	0	0	0	0
Minorities	0	0	0	0
Net profit	467	387	410	443
Net profit (adj.)	360	387	410	443

Balance Sheet

Year to 31 Dec (RMm)	2025	2026	2027	2028
Fixed assets	9,095	9,114	9,132	9,151
Other LT assets	4	4	4	4
Cash/ST investment	666	951	919	885
Other current assets	64	121	125	128
Total assets	9,829	10,190	10,180	10,168
ST debt	1,073	1,073	1,073	1,073
Other current liabilities	305	687	715	745
LT debt	2,863	2,874	2,885	2,896
Other LT liabilities	95	80	48	14
Shareholders' equity	5,491	5,475	5,458	5,440
Minority interest	0	0	0	0
Total liabilities & equity	9,829	10,190	10,180	10,168

Cash Flow

Year to 31 Dec (RMm)	2025	2026	2027	2028
Operating	569	932	597	630
Pre-tax profit	467	387	410	443
Tax	0	0	0	0
Deprec. & amort.	1	1	1	1
Associates	0	0	0	0
Working capital changes	45	375	25	26
Other operating cashflows	56	169	162	160
Investing	(850)	(20)	(20)	(20)
Capex (growth)	(2)	(20)	(20)	(20)
Investments	(860)	0	0	0
Others	12	0	0	0
Financing	373	(589)	(609)	(644)
Distribution to unitholders	(359)	(418)	(442)	(477)
Issue of shares	360	0	0	0
Proceeds from borrowings	725	11	11	11
Loan repayment	(181)	0	0	0
Others/interest paid	(172)	(182)	(178)	(179)
Net cash inflow (outflow)	91	323	(32)	(34)
Beginning cash & cash equivalent	536	628	951	919
Changes due to forex impact	38	0	0	0
Ending cash & cash equivalent	666	951	919	885

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	57.5	57.9	57.2	57.9
Pre-tax margin	51.8	40.2	40.9	42.5
Net margin	51.8	40.2	40.9	42.5
ROA	4.6	4.9	5.2	5.6
ROE	7.6	8.2	8.7	9.4
Growth				
Turnover	6.6	6.7	4.1	4.1
EBITDA	8.5	7.5	2.8	5.4
Pre-tax profit	8.5	7.4	2.8	5.5
Net profit	13.9	(17.2)	5.9	8.1
Net profit (adj.)	16.0	7.6	5.9	8.1
EPU	8.2	4.9	3.3	5.5
Leverage				
Debt to total capital	71.7	72.1	72.5	73.0
Debt to equity	71.7	72.1	72.5	73.0
Net debt/(cash) to asset	33.3	29.4	29.9	30.3
Interest cover (x)	3.3	3.3	3.5	3.8

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